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C O N F I D E N T I A L PANAMA 001975

SIPDIS

DEPARTMENT FOR WHA/CEN
SOUTHCOM ALSO FOR POLAD

E.O. 12958: DECL: 09/29/2015

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SUBJECT: PANAMANIAN PRESIDENT AND FM ON CASTRO, CHAVEZ, AND MEXICO'S OIL

REF: PANAMA 01818

Classified By: Ambassador William Eaton for reasons 1.4 (b)&(d)

¶1. (C) Summary: President Torrijos told WHA DAS Fisk and Ambassador that his government is under intense domestic pressure to strike a cheap oil deal with Chavez. The GOP hopes to address this by enticing Mexico to become a counterweight by offering similar oil deals. Torrijos believes that Chavez has broken the Castro "appeal to the masses" mold by developing a direct message that is attractive to governments, the middle class, and the masses. According to FM Lewis, the Panamanian delegation that visited Havana recently observed that Chavez instead of Castro seemed to be calling the shots (see reftel). End Summary.

¶2. (C) Panamanian FM Lewis told WHA DAS Dan Fisk and Ambassador September 29 that the GOP is coming under increasing domestic political pressure to get a deal with Chavez to buy cheap oil and quell the domestic impact of rising fuel prices. Instead, he said, Panama was reaching out to Mexico in hopes that Mexico would offer concessionary oil prices and financing to countries in the region. Lewis said that he met with Mexican FM Derbez in New York on the fringes of UNGA to discuss options for greater Mexican assistance in the region as a counterweight to Chavez. Lewis indicated that Mexico was considering offering oil to Panama and other countries in the region in concessionary terms and long-term loans at below-market interest rates. Panamanian President Torrijos and Lewis planned to visit Mexico next week to continue those discussions. Ambassador Eaton and DAS Fisk encouraged GOP to continue these discussions and noted interest in hearing GOP ideas on how the U.S. can appropriately facilitate such initiatives.

¶3. (C) President Torrijos also expressed growing concern that whereas Castro tries to exert his influence through the disaffected classes in the region, Chavez is going directly to senior levels of government and society in the region to exert his influence. That approach, he said, is potentially much more destabilizing. Lewis mentioned in an aside to Fisk and Ambassador Eaton that the Panamanian delegation that traveled recently to Havana to reestablish diplomatic relations had been struck by Cuban President Castro's apparent physical frailty and his diminished mental agility. The Panamanians were also surprised to see the commanding role Chavez seemed to play in the Castro-Chavez relationship. (Note: Lewis did not attend the Havana meeting. End Note.)

¶4. (C) COMMENT: The Torrijos Government is understandably concerned by the growing number of demonstrations, street closures by taxi and bus drivers and citizen complaints about the rising cost of fuel and its associated impact on the cost of living here. They know that subsidized prices and other economic supports are not a sustainable option, but are also aware that Chavez's offers of subsidized gas to other Caribbean basin countries (but not Panama) resonates among the disaffected and that grand energy-conservation pronouncements don't fill gas tanks. As a result, the Panamanian Government feels pushed towards Chavez, although Chavez has been slow to agree to the oil-financing scheme that the Panamanians have proposed. Oil-rich Mexico, they hope, will see it in its best interests to offer greater support to the region.

EATON